

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7534

BILL NUMBER: SB 442

NOTE PREPARED: Mar 28, 2005

BILL AMENDED: Mar 17, 2005

SUBJECT: Geophysical surveying and regulated explosives.

FIRST AUTHOR: Sen. Server

FIRST SPONSOR: Rep.Hoffman

BILL STATUS: As Passed House

FUNDS AFFECTED: X **GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill removes geophysical surveying from regulation by the Natural Resources Commission and the Department of Natural Resources (DNR). The bill specifies that the law defining the crime of recklessly violating a rule regarding the use of a regulated explosive does not apply to certain activities connected to near surface or subsurface use of regulated explosives associated with oil and natural gas. The bill allows the director of the Department of Natural Resources to grant variances from certain oil and gas well drilling requirements. It makes conforming amendments..

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: *Geophysical Surveying.* Removing geophysical surveying from regulation by the Natural Resources Commission and the DNR will reduce administrative expenses for the DNR. However, the DNR does not currently dedicate staff specifically to the regulation of geophysical surveying nor is there a significant amount of administrative work involved. Consequently, the provision will have no impact on expenditures.

Use of a Regulated Explosives. The Fire Prevention and Building Safety Commission currently regulates the use of explosives. The bill will exempt individuals who use explosives near the surface or subsurface for activities pertaining to oil and natural gas operations. Exempting these operators should decrease administrative expenses for the Department of Fire Prevention and Building Safety.

(Revised) *Variances from Oil and Gas Drilling Requirements.* The bill provides that the DNR director may

grant a variance from certain oil and gas drilling requirements. It is estimated that fewer than six instances might occur during a year that would necessitate such an action. The bill could result in additional administrative expenses for the DNR; however, the DNR should be able to cover any additional administrative expenses given its current level of resources.

Explanation of State Revenues: *Geophysical Surveying.* Currently, there are no Indiana companies that conduct geophysical surveying. Out-of-state companies conduct geophysical surveying approximately ten times a year. However, as gas and oil prices increase, surveying for gas and oil could also increase. Geophysical surveying involves the use of small amounts of dynamite, which are buried five to ten feet in the ground. When the dynamite is exploded, the energy from the dynamite that is forced into the ground bounces off rock layers that are picked up by sensors somewhat like a seismograph for earthquakes. The surveys are used to identify places to drill. A second method involves using a meter that senses the pressure of gravity on the earth which could identify faults. Faults may be more conducive to oil and gas drilling. Permits for geophysical surveying currently require a \$100 fee. Eliminating the permit would result in less revenue that the DNR could obtain from permits. Given current activity, the loss of revenue is estimated at \$1,000 per year.

Use of a Regulated Explosives. The bill exempts individuals who use explosives near the surface or subsurface for activities pertaining to oil and natural gas operations. There is currently no certification fee associated with the regulation. Consequently, the state would lose no revenue that would have been associated with a fee.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DNR; Department of Fire and Building Services.

Local Agencies Affected:

Information Sources: Nat Noland, Indiana Coal Council; Kevin Strunk, Independent Consultant Geologist, Indiana Oil and Gas Association, 257-3323; Paul Ehret, Deputy Director, DNR, 232-1557.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.